

ORIGINAL

OPEN MEETING



0000140175

MEMORANDUM

RECEIVED

Arizona Corporation Commission

DOCKETED

2012 OCT 24 P 2: 56

TO: THE COMMISSION

OCT 24 2012

FROM: Utilities Division

AZ CORP COMMISSION
DOCKET CONTROL

DATE: October 24, 2012

DOCKETED

LM

RE: ARIZONA PUBLIC SERVICE COMPANY – APPROVAL OF ITS 2012 RENEWABLE ENERGY STANDARD IMPLEMENTATION FOR RESET OF RENEWABLE ENERGY ADJUSTOR – APPLICATION TO MODIFY RESIDENTIAL INCENTIVES (DOCKET NO. E-01345A-11-0264)

On October 16, 2012, Arizona Public Service Company (“APS”) filed an application with the Arizona Corporation Commission (“Commission”) to modify its residential Renewable Energy Standard and Tariff (“REST”) incentives.

APS indicated that it has seen an unprecedented interest in its residential Distributed Energy (“DE”) program this year. The incentive for residential photovoltaic (“PV”) systems has gone from \$0.75 per Watt to \$0.20 per Watt in 2012 alone.

APS recently received 160 applications for incentives at \$0.20 per Watt in a single day. This number is more than the weekly average at the beginning of 2012, when the incentive was \$0.75 per Watt.

As of October 12, 2012, approximately \$370,000 remained in the residential PV budget. At the same time, about \$1.9 million remained in the non-PV budget. APS projects that the residential PV incentive will be fully allocated in the month of October. APS requested that the Commission do the following:

- Shift \$650,000 from APS’ current non-PV incentive budget to its residential PV budget; and
- Offer cash incentives at \$0.10/Watt for residential grid-tied PV until the re-allocated funding is exhausted or the remainder of 2012, whichever occurs sooner.

The APS proposal would leave the non-PV budget with over \$1.2 million for 2012 incentives.

Staff has reviewed the APS filing. Staff agrees that the residential grid-tied PV up-front incentive (“UFI”) should be reduced from \$0.20 per Watt to \$0.10 per Watt for re-allocated funds. Staff recommends that all other incentive levels should stay at current levels.

Staff disagrees with the APS proposal to re-allocate \$650,000 from the current residential non-PV incentive budget to the current residential grid-tied PV incentive budget. Staff recommends instead that half of the non-PV budget remaining as of November 1, 2012, should be re-allocated to the residential grid-tied PV incentive budget.

Staff's recommendation is consistent with the Staff Report on the APS 2013 REST Implementation Plan (Docket No. E-01345A-12-0290) that was docketed on October 18, 2012. Briefly, in that report, Staff describes how APS claims to have already met its non-residential REST DE requirements through 2020 and its residential REST DE requirements through 2015. Staff argues that since APS has already met key requirements, the focus of APS' efforts should shift to procuring the "least-cost renewable kWh" in order to meet the overall REST requirement of 15 percent by 2025.

Staff argues that the current residential PV incentive of \$0.20 per Watt delivers renewable kWh to meet the REST requirements at \$0.0115 per kWh. If the incentive is lowered to \$0.10 per Watt as recommended by both APS and Staff, the resulting cost per kWh will be \$0.00575 per kWh. Staff contends that this half-penny per kWh cost is a bargain compared to the ten to 12 cents per kWh incentives being recommended by some parties for future schools and government programs or the six to seven cents per kWh suggested by some stakeholders for non-residential PV production-based incentives ("PBIs").

Consistent with the October 18, 2012 Staff Report, Staff is proposing that the remaining non-PV budget be re-allocated according to the following schedule:

- 50% of funds go to residential PV UFIs
- 16% of funds go to non-residential UFIs
- 14% of funds go to non-residential PBIs
- 10% of funds go to residential non-PV
- 10% of funds go to Schools and Government

Staff further recommends that if a Commission decision is issued on this matter after all of the current residential grid-tied PV incentive funding is exhausted, any application received after such funding is exhausted shall be eligible, retroactively, for the \$0.10 per Watt incentive of the re-allocated funds for as long as those funds are available. If such decision is issued before the current residential grid-tied PV incentive funding is exhausted, once the current funding at \$0.20 per Watt is exhausted, all applicants will be placed in a queue for the \$0.10 per Watt re-allocated funding. Once all of the 2012 re-allocated funding is committed, those remaining on the list will become part of a waiting list for incentives under the approved APS 2013 REST Plan, if any incentives for 2013 are authorized by the Commission.

Staff recommends that APS be directed to make interconnections available to all customers, whether incentive funds are available or not.

Finally, Staff recommends that the Commission order APS to provide to applicants a written notice, either in hard copy or electronically, identifying the level of incentives available at the time the applicants apply and stating that there is no guarantee of the level of future incentives or even whether any future incentive will be available.

A handwritten signature in black ink, consisting of several overlapping, sweeping strokes that form a stylized representation of the name Steven M. Olea.

Steven M. Olea
Director
Utilities Division

SMO:RTW:lm\JFW

ORIGINATOR: Ray Williamson

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

BEFORE THE ARIZONA CORPORATION COMMISSION

GARY PIERCE
Chairman
BOB STUMP
Commissioner
SANDRA D. KENNEDY
Commissioner
PAUL NEWMAN
Commissioner
BRENDA BURNS
Commissioner

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY – APPROVAL OF
ITS 2012 RENEWABLE ENERGY
STANDARD IMPLEMENTATION FOR
RESET OF RENEWABLE ENERGY
ADJUSTOR

DOCKET NO. E-01345A-11-0264
DECISION NO. _____
ORDER
**APPLICATION TO MODIFY
RESIDENTIAL INCENTIVES**

Open Meeting
November 7 and 8, 2012
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company (“APS” or “Company”) is engaged in providing electric service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission (“Commission”).
2. On October 16, 2012, APS filed an application with the Commission to modify its residential Renewable Energy Standard and Tariff (“REST”) incentives.
3. APS indicated that it has seen an unprecedented interest in its residential Distributed Energy (“DE”) program this year. The incentive for residential photovoltaic (“PV”) systems has gone from \$0.75 per Watt to \$0.20 per Watt in 2012 alone.
4. APS recently received 160 applications for incentives at \$0.20 per Watt in a single day. This number is more than the weekly average at the beginning of 2012, when the incentive was \$0.75 per Watt.

1 5. As of October 12, 2012, approximately \$370,000 remained in the residential PV
2 budget. At the same time, about \$1.9 million remained in the non-PV budget. APS projects that
3 the residential PV incentive will be fully allocated in the month of October. APS requested that
4 the Commission do the following:

- 5 • Shift \$650,000 from APS' current non-PV incentive budget to its residential PV
6 incentive budget; and
- 7 • Offer cash incentives at \$0.10/Watt for residential grid-tied PV until the re-
8 allocated funding is exhausted or the remainder of 2012, whichever occurs
9 sooner.

10 6. The APS proposal would leave the non-PV budget with over \$1.2 million for 2012
11 incentives.

12 7. Staff agrees that the residential grid-tied PV up-front incentive ("UFI") should be
13 reduced from \$0.20 per Watt to \$0.10 per Watt for re-allocated funds. Staff recommends that all
14 other incentive levels should stay at current levels.

15 8. Staff disagrees with the APS proposal to re-allocate \$650,000 from the current
16 residential non-PV incentive budget to the current residential grid-tied PV incentive budget. Staff
17 recommends instead that half of the non-PV budget remaining as of November 1, 2012, be re-
18 allocated to the residential grid-tied PV incentive budget.

19 9. Staff's recommendation is consistent with the Staff Report on the APS 2013 REST
20 Implementation Plan (Docket No. E-01345A-12-0290) that was docketed on October 18, 2012.
21 Briefly, in that report, Staff describes how APS claims to have already met its non-residential
22 REST DE requirements through 2020 and its residential REST DE requirements through 2015.
23 Staff argues that since APS has already met key requirements, the focus of APS' efforts should
24 shift to procuring the "least-cost renewable kWh" in order to meet the overall REST requirement
25 of 15 percent by 2025.

26 10. Staff argues that the current residential PV incentive of \$0.20 per Watt delivers
27 renewable kWh to meet the REST requirements at \$0.0115 per kWh. If the incentive is lowered to
28 \$0.10 per Watt as recommended by both APS and Staff, the resulting cost per kWh will be
\$0.00575 per kWh. Staff contends that this half-penny per kWh cost is a bargain compared to the

1 ten to 12 cents per kWh incentives being recommended by some parties for future schools and
2 government programs or the six to seven cents per kWh suggested by some stakeholders for non-
3 residential PV production-based incentives ("PBIs").

4 11. Staff is proposing that the re-allocated remaining non-PV budget be allocated
5 according to the following schedule:

- 6 • 50% of funds go to residential PV UFI's
- 7 • 16% of funds go to non-residential UFI's
- 8 • 14% of funds go to non-residential PBIs
- 9 • 10% of funds go to residential non-PV
- 10 • 10% of funds go to Schools and Government

11 12. Staff further recommends that if a Commission decision is issued on this matter
12 after all of the current residential grid-tied PV incentive funding is exhausted, any application
13 received after such funding is exhausted shall be eligible, retroactively, for the \$0.10 per Watt
14 incentive of the re-allocated funds. If such decision is issued before the current residential grid-
15 tied PV incentive funding is exhausted, once the current funding at \$0.20 per Watt is exhausted, all
16 applicants will be placed in a queue for the \$0.10 per Watt re-allocated funding. Once all of the
17 2012 re-allocated funding is committed, those remaining on the list will become part of a waiting
18 list for incentives under the approved APS 2013 REST Plan, if any incentives for 2013 are
19 authorized by the Commission.

20 13. Staff recommends that APS be directed to make interconnections available to all
21 customers, whether incentive funds are available or not.

22 14. Finally, Staff recommends that the Commission order APS to provide to applicants
23 a written notice, either in hard copy or electronically, identifying the level of incentives available
24 at the time the applicants apply and stating that there is no guarantee of the level of future
25 incentives or even whether any future incentive will be available.

26 CONCLUSIONS OF LAW

27 1. Arizona Public Service Company is an Arizona public service corporation within
28 the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Arizona Public Service Company and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated October 24, 2012, concludes that it is in the public interest to approve Arizona Public Service Company's proposed modification of incentives and re-allocation of funding, as modified by Staff's recommendations.

ORDER

IT IS THEREFORE ORDERED that half of the non-PV budget remaining as of November 1, 2012, be re-allocated to the residential grid-tied PV incentive budget and that the remainder of the non-PV budget shall be re-allocated per Staff's proposed schedule in Finding of Fact No. 11.

IT IS FURTHER ORDERED that the residential grid-tied PV incentive for the re-allocated funds shall be \$0.10 per Watt and all other incentive levels shall remain at current levels.

IT IS FURTHER ORDERED that if this Commission decision is issued on this matter after all of the current residential grid-tied PV incentive funding is exhausted, any application received after such funding is exhausted shall be eligible, retroactively, for the \$0.10 per Watt incentive of the re-allocated funds for as long as those funds are available.

IT IS FURTHER ORDERED that if this decision is issued before the current residential grid-tied PV incentive funding is exhausted, once the current funding at \$0.20 per Watt is exhausted, all applicants will be placed in a queue for the \$0.10 per Watt re-allocated funding.

IT IS FURTHER ORDERED that once all of the 2012 re-allocated funding is committed, those remaining on the list shall become part of a waiting list for incentives under the approved APS 2013 REST Plan, if any incentives for 2013 are authorized by the Commission.

IT IS FURTHER ORDERED that Arizona Public Service Company shall make interconnections available to all customers, whether incentive funds are available or not.

...

...

...

1 IT IS FURTHER ORDERED that Arizona Public Service Company shall provide to
2 applicants a written notice, either in hard copy or electronically, identifying the level of incentives
3 available at the time the applicants apply and stating that there is no guarantee of the level of future
4 incentives or even whether any future incentive will be available

5 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

6
7 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

8
9 _____
CHAIRMAN

COMMISSIONER

10
11 _____
COMMISSIONER

COMMISSIONER

COMMISSIONER

12
13
14 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
15 Executive Director of the Arizona Corporation Commission,
16 have hereunto, set my hand and caused the official seal of
this Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2012.

17
18
19 _____
ERNEST G. JOHNSON
EXECUTIVE DIRECTOR

20
21 DISSENT: _____

22
23 DISSENT: _____

24 SMO:RTW:lhmfJFW
25
26
27
28

1 SERVICE LIST FOR: Arizona Public Service Company
2 DOCKET NO. E-01345A-11-0264

3 Mr. Thomas A. Loquvam
4 Pinnacle West Capital Corporation
5 400 North Fifth Street, MS 8695
6 Phoenix, Arizona 85072-3999

7 Mr. Scott S. Wakefield
8 Ridenour, Hienton & Lewis, PLLC
9 201 North Central Avenue, Suite 3300
10 Phoenix, Arizona 85004-1052

11 Mr. Court S. Rich
12 Rose Law Group, PC
13 6613 North Scottsdale Road, Suite 200
14 Scottsdale, Arizona 85250

15 Mr. C. Webb Crockett
16 Mr. Patrick J. Black
17 Fennemore Craig, PC
18 3003 North Central Avenue, Suite 2600
19 Phoenix, Arizona 85012-2913

20 Mr. Daniel W. Pozefsky
21 Chief Counsel
22 RUCO
23 1110 West Washington Street, Suite 220
24 Phoenix, Arizona 85007

25 Mr. Steven M. Olea
26 Director, Utilities Division
27 Arizona Corporation Commission
28 1200 West Washington Street
Phoenix, Arizona 85007

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007